*This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**China Yongda Automobiles Services Holdings Limited**
**中國永達汽車服務控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 03669)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (together, the "**Group**") for the six months ended June 30, 2013, together with comparative figures for the six months ended June 30, 2012.

## FINANCIAL HIGHLIGHTS OF THE GROUP

- Revenue was RMB11,818.5 million for the six months ended June 30, 2013.
- Gross profit was RMB978.0 million for the six months ended June 30, 2013. Gross profit margin was 8.3%.
- Profit from operation was RMB443.1 million for the six months ended June 30, 2013.
- Net profit was RMB266.7 million for the six months ended June 30, 2013.
- Net profit attributable to the owners of the Company was RMB230.3 million for the six months ended June 30, 2013.
- Earnings per share (basic and diluted) was RMB0.16 for the six months ended June 30, 2013.

## MARKET REVIEW

China's automobile market has continued its moderate growth during the first half of 2013. In terms of sales volume, the market has grown faster than the same period in 2012. According to the China Association of Automobile Manufacturers (the "**CAAM**"), automobile sales volume in China was approximately 10,782,200 units for the first half of 2013, approximately 12.3% increase compared to the same period in 2012, among which, sales volume of new passenger vehicles was approximately 8,665,100 units, approximately 13.8% increase compared to the same period in 2012.

The market for luxury and ultra-luxury passenger vehicles has continued its fast growth in the first half of 2013; however, compared to a rapid growth rate in 2012, the growth in the first half of 2013, in particular, during the first quarter of 2013 slowed down. The growth rate rebounded during the second quarter of 2013 driven by factors such as the introduction of new models of passenger vehicles to the market. The sales volume of BMW, Audi, Jaguar and Land Rover during the first half of 2013 was approximately 182,800 units, 227,900 units and 41,900 units, respectively, representing an increase of approximately 15%, 18% and 15%, respectively, compared to the same period in 2012.

China's after-sales services' market has exhibited great growing potentials and continued its fast growing pace during the first half of 2013, in particular, the luxury and ultra-luxury segment, primarily driven by the rise in passenger vehicle ownership and the aging of passenger vehicles in China. Moreover, Chinese consumers are increasingly focused on car maintenance and repair and other related extended products and services, leading to the expansion and development of after-sales services' market. According to Roland Berger, the number of luxury and ultra-luxury vehicles in China is expected to reach 9.18 million units and maintain a compound annual growth rate ("**CAGR**") of approximately 29% till 2015, among which, the percentage of vehicles older than two years is expected to rise to approximately 60.8%. As a result, according to Roland Berger, after-sales services in the luxury and ultra-luxury segment is expected to generate about RMB179.1 billion revenue with a CAGR of approximately 28% till 2015. It has also estimated by Roland Berger that the transaction volumes of pre-owned vehicles are expected to be about 6.32 million with a CAGR of approximately 25% till 2015. The Group believes that, driven by the continuing growth in car parc and the gradually maturing market, the after-sales services businesses, including maintenance and repair services, automobile extended products and services, insurance business and financing products, pre-owned vehicles and automobile rental and finance leasing services, will continue their fast growth.

## BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, the Group has achieved a relatively fast growth in the first half of 2013. The revenue and gross profit of the Group were RMB11,818 million and RMB978 million, respectively, for the six months ended June 30, 2013, representing an increase of 16.3% and 3.9%, respectively, compared to the same period in 2012. The net profit and net profit attributable to owners of the Company were RMB267 million and RMB230 million, respectively, for the six months ended June 30, 2013, representing a decrease of 19.6% and 23.3%, respectively, compared to the same period in 2012, primarily due to the decrease in gross profit margin of passenger vehicle sales compared to the same period in 2012 and an increase in the expenses as a result of the expansion of new outlets in the first half of 2013.

Nonetheless, the gross profit margin of the Group's passenger vehicle sales has started to improve since the fourth quarter of 2012. Moreover, due to its enhancement of cost control in the first half of 2013, the Group reduced distribution and selling expenses and administrative expenses to sales ratio to 5.3%, slightly lower than that of the second half of 2012. As a result of foregoing, the net profit and net profit attributable to owners of the Company for the first half of 2013 increased by 45.2% and 35.7%, respectively, compared to the second half of 2012.

Set forth below is a summary of the major developments of the business of the Group for the first half of 2013.

**Stable Growth of New Passenger Vehicle Sales and Fast-growing After-sales Business**

- **New Passenger Vehicle Sales.** The weak consumer sentiment resulting from the growing economic instability adversely affected market demand in 2012; however, the market has been recovering since the fourth quarter of 2012. The market for passenger vehicle has accelerated its growth in the first half of 2013 and retail price has generally maintained a steady pace since the rebound in the fourth quarter of 2012. The management of the Group has prudently monitored changing market conditions and has strived to prioritize the profitability of its business. During the first half of 2013, the Group has accelerated new passenger vehicle sales and the development of new outlets to an optimal level so as to achieve a balance between sustainable sales growth, satisfactory inventory level and profitability.

  Despite a challenging market environment, the sales volume of new passenger vehicles of the Group reached 37,247 units in the first half of 2013, a 21.0% increase compared to the same period in 2012, and sales volume of luxury and ultra-luxury brands reached 18,800 units in the first half of 2013, a 22.8% increase compared to the same period in 2012. Gross profit margin for new passenger vehicles was 3.9% for the six months ended June 30, 2013, although a decrease compared to 5.2% for the same period in 2012, yet a 1.0 percentage point increase compared to 2.9% for the second half of 2012, mainly due to the fact that retail price has started to remain stable since the fourth quarter of 2012.

- **After-sales Services.** The repair and maintenance services of the Group have continued its fast growth in the first half of 2013, in particular, the luxury and ultra-luxury segment. This is a result of the fast-growing customer base of the Group, in particular, the customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demand for the Group's after-sales services. The comprehensive "one-stop shop" automobile-related quality services of the Group and the recognition of its well-known "Yongda" brand which achieved a high degree of customer satisfaction have helped increase customer retention rates and continuous consumption and attract new customers through referrals. The Group will continue its efforts in enhancing cooperation with insurance companies and efficiency in its after-sales services.

  In addition, the Group is also committed to providing comprehensive, diversified and value-added automobile extended products and services through its "one-stop shop" services, which mainly include automobile decoration, automobile spare parts, automobile adaptations, automobile care and maintenance services, automobile extended warranty services, agency services of vehicle title registration and vehicle inspection services, road rescue services and club membership services. The automobile extended products and services of the Group have largely promoted the growth of after-sales services, mainly driven by its continuous improvement of sales process, competitive evaluation and remuneration system and the introduction of suppliers and products that meet customers' demands.

The after-sales service business of the Group, which mainly includes repair and maintenance services and automobile extended products and services, has achieved a revenue of RMB1,136 million for the first half of 2013, a 16.7% increase compared to the same period in 2012, among which, revenue from after-sales services for luxury and ultra-luxury brands has increased 23.4% compared to the same period in 2012.

Gross profit margin of the after-sales services business of the Group has continued its growth to 46.4% for the first half of 2013, a 2.9 percentage points increase compared to the same period in 2012 and a 1.0 percentage point increase compared to the second half of 2012, primarily due to (i) the increase in the proportion of after-sales business for luxury and ultra-luxury passenger vehicles which has a higher gross profit margin; (ii) the Group's continuous efforts in the promotion of comprehensive, diversified and value-added automobile extended products and services; (iii) the enhanced cooperation of the Group with insurance companies which increased revenue from accidental car business referrals by insurance companies; and (iv) the Group's continuous enhancement of cost control and centralized purchases, as well as the introduction of new suppliers who can meet the strict quality control requirements of the Group with lower cost.

- **Automobile Rental Services.** In the first half of 2013, the Group proactively promoted its automobile rental services by exploring new customers and expanding its fleet size. As a result, the automobile rental services of the Group has achieved a revenue of RMB127 million, a 20.7% increase compared to the same period in 2012. Although facing a higher labor cost and the temporary adverse impact of the tax reform by the PRC government to change business tax to value-added tax in 2012, the gross profit margin for automobile rental services of the Group has remained stable, which was 33.1% for the first half of 2013 compared to 33.7% for the second half of 2012.

- **Other After-sales Services.** During the first half of 2013, the Group has strengthened its cooperation with insurance companies, banks and other financial institutions and the Group has achieved a steady increase in revenue from its agency services for automobile insurance and financial products. In addition, the Group has actively promoted pre-owned vehicle business in the first half of 2013 by upgrading information management system for pre-owned vehicles, increasing the proportion of brand certified pre-owned vehicles, using a third-party auction system for pre-owned vehicles and the establishment of pre-owned vehicle center which has greatly improved its sales volumes and profit of pre-owned vehicle business.

**Continuous Expansion the Network of the Group**

The Group has continued to build its strong and long-term relationships with leading manufacturers of luxury and ultra-luxury passenger vehicles. In the first half of 2013, the Group continued to focus on luxury and ultra-luxury brands, including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Infiniti, Cadillac, Volvo and in the first half of 2013, the Group has obtained an authorization from Lincoln, an American luxury brand. In addition, the Group has a select portfolio of mid- to high-end brands, mainly including Buick and Volkswagen.

What also worths mentioning is that, in the first half of 2013, the Group has entered into a strategic cooperation framework agreement with Audi, making it one of Audi's five strategic dealerships in

China and the only Audi strategic partner amongst all the passenger vehicle retailers listed in Hong Kong. Audi has always kept strict rules on the quantity and the location of outlets and driven by the fast development of China's automobile market and enhanced competition, Audi has adapted its networking development strategy by identifying five competitive automobile sales companies as its strategic partners to become the main force of its network development. In accordance with the Group's strategic cooperation framework agreement with Audi and subject to certain conditions, Audi agrees to grant the Group several pre-authorized projects per annum and will prioritize the requests of the Audi dealerships controlled by the Group. The Group is entitled to have top priority for Audi's network development. Meanwhile, the Group is entitled to have priority in sales of Audi's new model of vehicles, as well as expansion of the cooperation with Audi in other areas. The Group believes Audi is expected to have great potential to develop its business in China. Benefit from the strategic partnership with Audi, the Group will no longer be restricted by dealerships development constraints imposed by Audi previously and will seize the opportunity of the fast development of Audi in China. The Group plans to significantly increase market shares in the sales of Audi vehicles in China to achieve leapfrog development, which is expected to help optimize the luxury and ultra-luxury product portfolio of the Group and enhance its future business development.

During the reporting period and up to the date of this announcement, the Group has obtained authorization to open 15 new outlets from a number of luxury and ultra-luxury brands, including three BMW 4S dealerships, one BMW pre-owned car center, four Audi 4S dealerships, four Jaguar/Land Rover 4S dealerships and one Lincoln 4S dealership, which has further enhanced the luxury and ultra-luxury portfolio of the Group.

During the reporting period and up to the date of this announcement, the Group has established 13 new outlets for luxury and ultra-luxury brands, namely three BMW outlets, one BMW flagship showroom, three Audi 4S dealerships, three Jaguar/Land Rover 4S dealerships, one Porsche 4S dealership, one Bentley 4S dealership and one Cadillac showroom. Several of them are among the largest 4S dealerships or showrooms worldwide or in their respective regions, for example:

- in August 2013, the Group commenced operation of the global largest BMW flagship showroom, Baozen Huaihai 4S store in Shanghai;

- in June 2013, the Group commenced operation of the largest Jaguar/Land Rover 4S store in Central China region in Zhengzhou, Henan province; and

- in May 2013, the Group commenced operation of the global largest Audi Flagship store in Shanghai, which has a gross floor area of approximately 46,000 square meters.

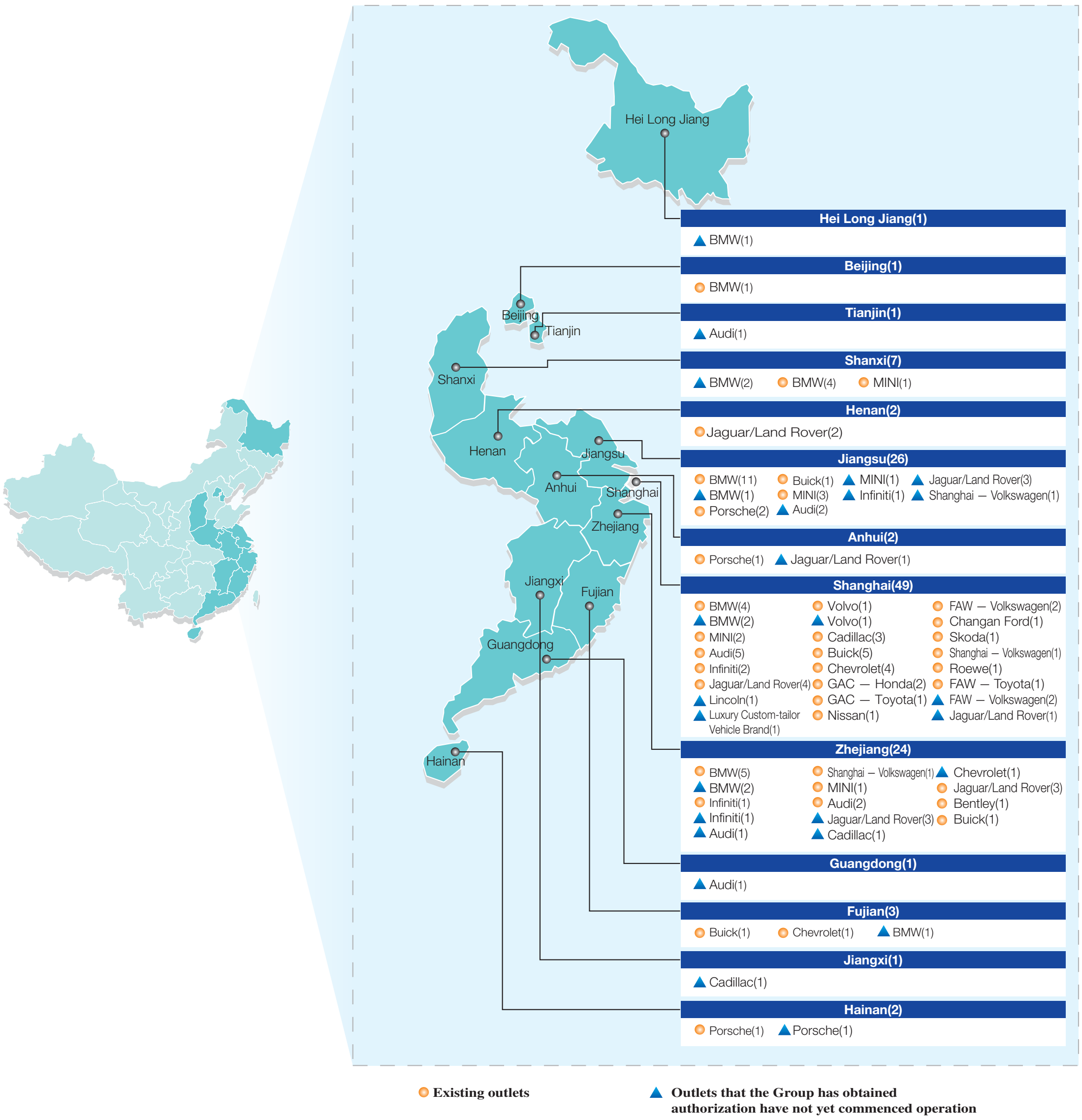
In addition, the Group commenced operation of Bentley 4S dealership, one of the world's top luxury auto brands in Shaoxing, Zhejiang province in May 2013.

During the reporting period and up to the date of this announcement, the Group has acquired two 4S dealerships to expand its footprint into new markets, namely one Audi 4S dealership in Lishui and one Buick 4S dealership in Jiaxing, Zhejiang province, which further enhanced its experience of and laid solid foundation for its future acquisitions at lower cost.

The table below sets forth the number of the outlets of the Group as of the date of this announcement:

| | Existing Outlets | New Outlets that the Group has Obtained Authorization to Open | Total |
|---|---|---|---|
| Luxury and ultra-luxury brands 4S dealerships | 37 | 28 | 65 |
| Mid- to high-end brands 4S dealerships | 25 | 4 | 29 |
| Manufacturer-authorized service centers | 5 | – | 5 |
| Showrooms | 17 | 1 | 18 |
| Manufacturer authorized certified pre-owned vehicle center | 1 | 2 | 3 |
| Total | 85 | 35 | 120 |

The Group has selectively expanded its network beyond Eastern China to enter strategic markets in other regions, such as Northern China, Eastern Northern China, Central China and Southern China. As of the date of this announcement, the Group has been authorized by manufacturers to open and operate 120 outlets which are located across 34 cities in 10 provinces and 3 municipalities in China and the geographic coverage of the outlets of the Group is illustrated below:




## Strive for Innovation and Embark into Finance Leasing Sector

In May 2013, an indirect wholly-owned subsidiary of the Group, Shanghai Yongda Finance Leasing Company Limited* (上海永達融資租賃有限公司) commenced its operation after obtaining the approval from the Ministry of Commerce of the People Republic of China (the "**PRC**" or "**China**"), which laid a milestone in the Group's efforts to provide financing products and services to its clients. The penetration ratio resulting from the synergies of the automobile sales industry and finance industry in the form of automobile finance leasing is over 40% in mature markets such as Europe and American; automobile finance leasing is at its initial stage and has great potential for future development and achieve profitability in China. Automobile finance leasing has covered a comprehensive industry chain of passenger sales services. The Group expects to gain revenue and increase profit from new passenger vehicles sales and interest earnings, as well as from automobile financing related business such as maintenance and repair services, automobile extended products and services, insurance and pre-owned vehicle businesses.

## Continuous Upgrading of the Management and Marketing Capability of the Group

While the Group has expanded its business through continued organic growth, it has continued standardizing and optimizing its management processes, and these standardized management processes have resulted in an operational model that can be readily replicated to the outlets that the Group establishes or acquires in the future. In the first half of 2013, the Group has particularly focused on enhancing management by adopting the following key measures:

- the establishment of a brand department to enhance the resource sharing and synergies among brand sales and outlet services;
- strengthening the target management of gross profit margin and inventory turnover days;
- enhancing the management of expense budgeting to enhance profitability;
- the establishment of a specialized division and system to speed up the training of strategic talents in order to build up sufficient numbers of management personnel and team;
- the enhancement of information technology system to improve efficiency through consistent and transparent internal operation; and
- the continuous engagement of third-party consulting firms to identify areas of the business processes of the Group which require improvement.

The Group has obtained a number of awards which recognize its improved management quality. For example, in the first half of 2013, the Group has received numerous awards from many well-known passenger vehicles manufacturers relating to its performance in 2012 and the first half of 2013, including but not limited to:

- the Group is the only passenger vehicle retailer listed in Hong Kong that has three dealerships being selected by BMW in its Top10 list of "2012 BMW Best Performance Dealer Awards";
- one of the Group's Jaguar/Land Rover 4S dealerships in Shanghai is the only 4S dealership that has been awarded five best annual awards in different categories nationwide by Jaguar, Land Rover at the same time;
- one of the Group's Porsche 4S dealerships in Wuxi, Jiangsu province has achieved top sales in China for the first half of 2013 by Porsche;
- one of the Group's Porsche 4S dealerships in Hefei, Anhui province has been placed No. 2 by Porsche in its sub-item evaluation of after-sales services in China; and
- several of the Group's Buick 4S dealerships has been awarded five-star authorized sales and after-sales service centers by Buick.

The Group has continued to build its corporate brand "Yongda" during the first half of 2013 and made continuous efforts in marketing innovation and customer retention through a variety of channels, including:

- focusing on the customer-oriented strategy, enhancing customers' satisfaction and encouraging customers' continuous consumption and consumption upgrade;

- enhancing the management of the Group's multi-media "96818" customer service platform;

- enhancing sales through TV shopping channels and online shopping platform and encouraging innovation in sales medium; and

- enhancing the Group's partnership with banks and insurance companies.

In May 2013, the Group has been awarded "2012 Shanghai Top Ten Brands" title, for its professional services, corporate strength and outstanding corporate image. The Group is the only company in the passenger vehicle sales and services industry that won this award. A high degree of awareness of the Group's brand has become an important factor to enhance customer loyalty and differentiates the Group from its peers.

# INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2013, as follows:

**Condensed Consolidated Statement of Comprehensive Income**

| | | For the six months ended June 30, | |
|---|---|---|---|
| | *NOTES* | **2013** | 2012 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | 3 | **11,818,457** | 10,164,876 |
| Cost of sales and services | | **(10,840,492)** | (9,223,620) |
| Gross profit | | **977,965** | 941,256 |
| Other income | 4 | **91,037** | 125,700 |
| Other gains and losses | 4 | **(2,791)** | 6,677 |
| Other expenses | 4 | **—** | (7,252) |
| Distribution and selling expenses | | **(414,916)** | (337,702) |
| Administrative expenses | | **(208,240)** | (156,531) |
| Finance costs | | **(96,758)** | (138,633) |
| Share of profits of joint ventures | | **3,583** | 3,896 |
| Share of profits (losses) of associates | | **960** | (24) |
| Profit before tax | 5 | **350,840** | 437,387 |
| Income tax expense | 6 | **(84,100)** | (105,567) |
| Profit and total comprehensive income for the period | | **266,740** | 331,820 |
| Profit and total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **230,263** | 300,391 |
| Non-controlling interests | | **36,477** | 31,429 |
| | | **266,740** | 331,820 |
| Earnings per share — basic and diluted | 8 | **RMB0.16** | RMB0.23 |

## Condensed Consolidated Statement of Financial Position

| | *NOTES* | **June 30, 2013** *RMB'000* **(Unaudited)** | December 31, 2012 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,848,147** | 1,503,363 |
| Prepaid lease payments | | **293,815** | 282,856 |
| Intangible assets | | **29,977** | 26,709 |
| Deposits paid for acquisition of property, plant and equipment | | **39,451** | 83,421 |
| Deposits paid for acquisition of land use rights | | **26,000** | 27,307 |
| Interests in joint ventures | | **43,511** | 39,928 |
| Interests in associates | | **55,747** | 28,387 |
| Deferred tax assets | | **45,184** | 39,827 |
| | | **2,381,832** | 2,031,798 |
| **Current assets** | | | |
| Prepaid lease payments | | **6,874** | 6,509 |
| Inventories | 9 | **2,971,581** | 2,678,189 |
| Trade and other receivables | 10 | **2,594,997** | 2,524,678 |
| Amounts due from related parties | | **720** | 4,739 |
| Pledged bank deposits | | **565,729** | 854,469 |
| Bank balances and cash | | **1,005,972** | 1,895,266 |
| | | **7,145,873** | 7,963,850 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **2,286,861** | 2,790,104 |
| Amounts due to related parties | | **18,679** | 26,474 |
| Income tax liabilities | | **276,756** | 238,246 |
| Borrowings | | **3,440,388** | 3,465,172 |
| | | **6,022,684** | 6,519,996 |

**Condensed Consolidated Statement of Financial Position (Continued)**

| | **June 30, 2013** *RMB'000* **(Unaudited)** | December 31, 2012 *RMB'000* (Audited) |
|---|---|---|
| **Net current assets** | **1,123,189** | 1,443,854 |
| **Total assets less current liabilities** | **3,505,021** | 3,475,652 |
| **Non-current liabilities** | | |
| Borrowings | **66,139** | 157,053 |
| **Net assets** | **3,438,882** | 3,318,599 |
| **Capital and reserves** | | |
| Share capital | **12,065** | 12,065 |
| Reserves | **3,140,179** | 3,050,518 |
| Equity attributable to owners of the Company | **3,152,244** | 3,062,583 |
| Non-controlling interests | **286,638** | 256,016 |
| **Total equity** | **3,438,882** | 3,318,599 |

# Condensed Consolidated Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Paid-in/ Issued share capital *RMB'000* | Share premium *RMB'000* | Statutory surplus reserve *RMB'000* (note a) | Special reserve *RMB'000* | Retained profits *RMB'000* | Subtotal *RMB'000* | Non-controlling interests *RMB'000* | Total *RMB'000* |
| At January 1, 2012 (audited) | 2 | 524,998 | 87,669 | 333,647 | 632,804 | 1,579,120 | 158,947 | 1,738,067 |
| Profit for the period | — | — | — | — | 300,391 | 300,391 | 31,429 | 331,820 |
| Capital injection | — | — | — | — | — | — | 32,000 | 32,000 |
| Partial disposal of equity interests in subsidiaries without losing control | — | — | — | — | — | — | 1,650 | 1,650 |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | (596) | (596) |
| At June 30, 2012 (unaudited) | 2 | 524,998 | 87,669 | 333,647 | 933,195 | 1,879,511 | 223,430 | 2,102,941 |
| Profit for the period | — | — | — | — | 169,625 | 169,625 | 14,022 | 183,647 |
| Capitalization of share premium (note b) | 10,433 | (10,433) | — | — | — | — | — | — |
| Issue of shares at premium through initial public offerings (note c) | 1,630 | 1,074,552 | — | — | — | 1,076,182 | — | 1,076,182 |
| Transaction costs attributable to issue of new shares | — | (63,027) | — | — | — | (63,027) | — | (63,027) |
| Capital injection | — | — | — | — | — | — | 16,600 | 16,600 |
| Partial disposal of equity interests in subsidiaries without losing control | — | — | — | 292 | — | 292 | 5,307 | 5,599 |
| Transfer to statutory reserve | — | — | 55,289 | — | (55,289) | — | — | — |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | (3,343) | (3,343) |
| At December 31, 2012 (audited) | 12,065 | 1,526,090 | 142,958 | 333,939 | 1,047,531 | 3,062,583 | 256,016 | 3,318,599 |
| Profit for the period | **—** | **—** | **—** | **—** | **230,263** | **230,263** | **36,477** | **266,740** |
| Capital injection | **—** | **—** | **—** | **—** | **—** | **—** | **17,468** | **17,468** |
| Dividends recognized as distribution (note 8) | **—** | **(140,602)** | **—** | **—** | **—** | **(140,602)** | **—** | **(140,602)** |
| Dividends paid to non-controlling interests | **—** | **—** | **—** | **—** | **—** | **—** | **(23,323)** | **(23,323)** |
| At June 30, 2013 (unaudited) | **12,065** | **1,385,488** | **142,958** | **333,939** | **1,277,794** | **3,152,244** | **286,638** | **3,438,882** |

notes:

a. As stipulated by the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any; and/or (ii) apply in capital conversion.

b. Upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), HK$12,798,000 standing to the credit of the share premium account of the Company was capitalized for issue of 1,279,800,000 new shares at par on July 12, 2012 to the then shareholders of the Company in proportion to their shareholdings.

c. On July 12, 2012, the Company issued a total of 200,022,000 new ordinary shares of HK$0.01 each at the price of HK$6.60 per share by means of initial public offerings.

**Condensed Consolidated Statement of Cash Flows**

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| OPERATING ACTIVITIES | | |
| Profit before tax | **350,840** | 437,387 |
| Adjustments for: | | |
| Finance costs | **96,758** | 138,633 |
| Interest income | **(9,055)** | (11,776) |
| Loss (gain) on disposal of property, plant and equipment | **1,871** | (3,377) |
| Loss on disposal of a subsidiary | **718** | — |
| Depreciation of property, plant and equipment | **95,765** | 68,482 |
| Release of prepaid lease payments | **3,291** | 2,503 |
| Share of (profits) losses of associates | **(960)** | 24 |
| Share of profits of joint ventures | **(3,583)** | (3,896) |
| Operating cash flows before movements in working capital | **535,645** | 627,980 |
| Increase in inventories | **(282,046)** | (714,617) |
| (Increase) decrease in trade and other receivables | **(16,271)** | 486,178 |
| Decrease in trade and other payables | **(552,922)** | (488,938) |
| Decrease (increase) in amounts due from related parties | **1,007** | (2,235) |
| Increase (decrease) in amounts due to related parties | **2,002** | (2,332) |
| Cash used in operations | **(312,585)** | (93,964) |
| Income taxes paid | **(53,486)** | (140,382) |
| NET CASH USED IN OPERATING ACTIVITIES | **(366,071)** | (234,346) |
| INVESTING ACTIVITIES | | |
| Additions to and deposits paid for property, plant and equipment | **(414,298)** | (285,430) |
| Additions to and deposits paid for prepaid land lease payments | **(13,308)** | (70,043) |
| Purchase of intangible assets | **(558)** | (6,325) |
| Proceeds on disposal of property, plant and equipment, intangible assets and land use rights | **52,445** | 175,858 |
| Withdrawal of pledged bank deposits | **854,469** | 884,658 |
| Placement of pledged bank deposits | **(565,729)** | (768,599) |
| Collection of advance to independent third parties | **—** | 44,300 |
| Interest received | **9,055** | 11,776 |
| Advance to related parties | **—** | (20,050) |
| Collection of advance to related parties | **3,012** | 6,000 |
| Payment for acquisition of associates | **—** | (5,309) |
| Investment in an associate | **(26,400)** | — |
| Proceeds on disposal of available-for-sales investments | **—** | 37,759 |
| Dividends received from joint ventures | **—** | 4,467 |
| Acquisition of a subsidiary | **(589)** | — |
| Proceeds on disposal of a subsidiary | **3,166** | — |
| Deposits for acquisition of equity interests from third parties | **(40,600)** | — |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | **(139,335)** | 9,062 |

## Condensed Consolidated Statement of Cash Flows (Continued)

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| FINANCING ACTIVITIES | | |
| New bank borrowings raised | **4,628,087** | 3,792,494 |
| Repayment of bank borrowings | **(4,743,785)** | (2,712,425) |
| Capital injection by non-controlling shareholders | **17,468** | 32,000 |
| Proceeds from disposal of partial interests in subsidiaries without losing of control | **—** | 1,650 |
| Advance from related parties | **—** | 495,827 |
| Repayment of advance from related parties | **—** | (1,318,982) |
| Interest paid | **(111,936)** | (145,279) |
| Dividends paid as distribution | **(140,602)** | — |
| Dividends paid to non-controlling shareholders | **(29,073)** | (596) |
| Payment to Shanghai Yongda Group Company Limited By Shares ("Yongda CLS") for acquisition of the Core Business (as defined in Note 1) | **—** | (21,534) |
| Dividends paid to Yongda CLS | **(4,047)** | — |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | **(383,888)** | 123,155 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(889,294)** | (102,129) |
| CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH | **1,895,266** | 1,080,178 |
| CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH | **1,005,972** | 978,049 |

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on the Stock Exchange. The Company's registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is Unit 5708, 57/F, The Center, 99 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services primarily through its 4S (sales, spare parts, service and survey) dealerships, distribution of automobile insurance products and automobile rental services in the PRC (the "Core Business"). The Company and its subsidiaries are collectively referred to as the "Group" thereafter.

The condensed consolidated financial statements are presented in Renminbi (the "RMB"), which is the same as the functional currency of the Company.

In addition, the condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

## 2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the 2012 annual financial statements of the Group (the "2012 Annual Financial Statements"). The accounting policies used in the preparation of the condensed consolidated financial statements are the same as those used in the 2012 Annual Financial Statements. In the current interim period, the Group adopted the following new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB which are mandatory for the annual periods beginning January 1, 2013.

| | |
|---|---|
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to IFRSs | Annual Improvements to IFRSs 2009–2011 Cycle |
| Amendments to IFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| IFRS 13 | Fair Value Measurement |
| IAS 19 (as revised in 2011) | Employee Benefits |
| IAS 27 (as revised in 2011) | Separate Financial Statements |
| IAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

The application of the above new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements except for IFRS 11.

IFRS 11 replaces IAS 31 Interest in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities — Non-Monetary Contribution by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e.

joint ventures) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity). The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The Group concluded that the Group's investments in jointly controlled entities under IAS 31 which was accounted for using the equity method should be classified as joint ventures under IFRS 11 and continued to accounted for using the equity method.

The Group has not early adopted the following new and revised standards, amendments and interpretations ("new and revised IFRSs") that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 9 and IFRS 7 | Mandatory Effective Date of IFRS 9 and Transition Disclosures[1] |
| IFRS 9 | Financial Instruments[1] |
| Amendments to IFRS 10, IFRS 12, and IAS 27 | Investment Entities[2] |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to IAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[2] |
| Amendments to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[2] |
| IFRIC 21 | Levies[2] |

[1] Effective for annual periods beginning on or after January 1, 2015
[2] Effective for annual periods beginning on or after January 1, 2014

## 3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments reported to the board of directors, the Group's chief operating decision makers, for allocating resources and assessing performance:

**For the six months ended June 30, 2013**

| | **Passenger vehicle sales and services** *RMB'000* | **Automobile rental services** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| Segment revenue | **11,691,502** | **126,955** | **11,818,457** |
| Segment profit | **935,976** | **41,989** | **977,965** |
| Other income | | | **91,037** |
| Other gains and losses | | | **(2,791)** |
| Distribution and selling expenses | | | **(414,916)** |
| Administrative expenses | | | **(208,240)** |
| Finance costs | | | **(96,758)** |
| Share of profits of joint ventures | | | **3,583** |
| Share of profits of associates | | | **960** |
| Profit before tax | | | **350,840** |

For the six months ended June 30, 2012

| | Passenger vehicle sales and services *RMB'000* | Automobile rental services *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Segment revenue | 10,059,701 | 105,175 | 10,164,876 |
| Segment profit | 899,612 | 41,644 | 941,256 |
| Other income | | | 125,700 |
| Other gains and losses | | | 6,677 |
| Other expenses | | | (7,252) |
| Distribution and selling expenses | | | (337,702) |
| Administrative expenses | | | (156,531) |
| Finance cost | | | (138,633) |
| Share of profits of joint ventures | | | 3,896 |
| Share of losses of associates | | | (24) |
| Profit before tax | | | 437,387 |

Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, other expenses, distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits or losses of associates. There were no inter-segment revenues during the period under review. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the board of directors.

**Revenue from major products and services**

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2013** *RMB'000* | 2012 *RMB'000* |
| Sale of passenger vehicles: | | |
| — Luxury and ultra-luxury brands *(note a)* | **8,290,828** | 7,110,485 |
| — Mid- to high-end brands *(note b)* | **2,265,069** | 1,976,347 |
| Sub-total | **10,555,897** | 9,086,832 |
| After-sales services | **1,135,605** | 972,869 |
| Automobile rental services | **126,955** | 105,175 |
| | **11,818,457** | 10,164,876 |

Notes:

a: Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Infiniti, Cadillac and Volvo.

b: Mid- to high-end brands include Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others.

## 4. OTHER INCOME/OTHER GAINS AND LOSSES/OTHER EXPENSES

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Other income comprises: | | |
| Service income *(note a)* | **64,633** | 68,306 |
| Advertisement support received from automobile manufacturers *(note b)* | **7,087** | 19,348 |
| Government grants *(note c)* | **8,619** | 20,989 |
| Interest income on bank deposits | **9,055** | 11,776 |
| Others | **1,643** | 5,281 |
| | **91,037** | 125,700 |
| Other gains and losses comprise: | | |
| (Loss) gain on disposal of property, plant and equipment | **(1,871)** | 3,376 |
| Loss on disposal of a subsidiary | **(718)** | — |
| Others | **(202)** | 3,301 |
| | **(2,791)** | 6,677 |
| Other expenses: | | |
| Listing expenses | **—** | (7,252) |

Notes:

a. Service income was primarily derived from certain auxiliary automobile sales related services such as distribution of automobile insurance products.

b. Advertising support was received from automobile manufacturers in connection with their marketing campaigns.

c. Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Depreciation of property, plant and equipment | **95,765** | 68,482 |
| Release of prepaid lease payments | **3,291** | 2,503 |

## 6. INCOME TAX EXPENSE

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | **91,370** | 101,837 |
| Over-provision of PRC EIT in prior year | **(161)** | (12) |
| | **91,029** | 101,825 |
| Deferred tax | | |
| Current period | **(7,109)** | 3,742 |
| | **84,100** | 105,567 |

The Company and Sea of Wealth International Investment Company Limited, a subsidiary of the Company, are tax exempted companies incorporated in the Cayman Islands and British Virgin Islands, respectively.

Grouprich International Investment Holdings Limited, a subsidiary of the Company, was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 7. DIVIDENDS

During the current interim period, a final dividend of RMB0.095 per share in respect of the year ended December 31, 2012 was declared and paid to the owners of the Company in Hong Kong dollars (the "HK$") based on the medium exchange rate between RMB and HK$ as announced by the People's Bank of China on May 28, 2013 (HK$1.00 to RMB0.79627). The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB140,602,000.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit for the period attributable to owners of the Company | **230,263** | 300,391 |
| **Number of shares** | | |
| Number of ordinary shares in issue (2012: weighted average number of ordinary shares) for the purpose of basic earnings per share | **1,480 million** | 1,280 million |

Diluted earnings per share is the same as basic earnings per share as no potential ordinary shares were outstanding for the six months ended June 30, 2012 and June 30, 2013, respectively.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended June 30, 2012 has been adjusted retrospectively for the issue of 1,279,800,000 new shares by way of capitalization as if it had taken place on January 1, 2012.

## 9. INVENTORIES

| | **June 30, 2013** *RMB'000* | December 31, 2012 *RMB'000* |
|---|---|---|
| Motor vehicles | **2,715,783** | 2,483,741 |
| Spare parts and accessories | **255,798** | 194,448 |
| | **2,971,581** | 2,678,189 |

## 10. TRADE AND OTHER RECEIVABLES

The Group's credit policies towards its customers are as follows:

a. In general, deposits and advances are required for the sales of automobiles while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 90 days is granted; and

b. For automobile rental services, the Group typically allows a credit period of 30 to 60 days to its customers.

| | **June 30, 2013** *RMB'000* | December 31, 2012 *RMB'000* |
|---|---|---|
| Trade receivables | **181,783** | 155,541 |
| Other receivables comprise: | | |
| Cash in transit *(note a)* | **139,689** | 52,295 |
| Prepayments and deposits to suppliers | **925,493** | 1,128,699 |
| Prepayments and rental deposits on properties | **46,956** | 37,233 |
| Rebate receivables from suppliers | **1,051,704** | 945,094 |
| Insurance commission receivables | **10,064** | 11,928 |
| Staff advances | **4,420** | 4,547 |
| Value-Added-Tax recoverable | **137,255** | 143,779 |
| Deposits for acquisition of equity interests from third parties | **40,600** | — |
| Others | **57,033** | 45,562 |
| | **2,413,214** | 2,369,137 |
| | **2,594,997** | 2,524,678 |

Notes:

a. Cash in transit represents sales settled by credit cards, which have yet to be credited to the Group by banks. The balance of cash in transit as at June 30, 2013 aged seven days (December 31, 2012: Seven days).

The following is an ageing analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting periods:

| | **June 30, 2013** *RMB'000* | December 31, 2012 *RMB'000* |
|---|---|---|
| 0 to 90 days | **181,783** | 155,541 |

## 11. TRADE AND OTHER PAYABLES

| | **June 30, 2013** *RMB'000* | December 31, 2012 *RMB'000* |
|---|---|---|
| Trade payables | **103,166** | 102,311 |
| Bills payables | **1,370,135** | 1,846,648 |
| | **1,473,301** | 1,948,959 |
| **Other payables** | | |
| Other tax payables | **25,122** | 25,236 |
| Advances and deposits from customers | **580,451** | 667,874 |
| Payables for acquisition of property, plant and equipment | **79,422** | 48,182 |
| Rental payables | **37,603** | 13,944 |
| Salary and welfare payables | **22,960** | 38,957 |
| Accrued interest | **2,790** | 1,866 |
| Accrued listing expenses | **—** | 7,663 |
| Accrued audit fee | **—** | 3,500 |
| Other accrued expenses | **3,136** | 2,666 |
| Consideration payable on acquisition of a subsidiary | **1,476** | — |
| Payable to original shareholders of acquired subsidiary | **24,211** | — |
| Others | **36,389** | 31,257 |
| | **813,560** | 841,145 |
| | **2,286,861** | 2,790,104 |

Prepayments and deposits are in general required to be paid to suppliers before making purchase. The Group's trade payables mainly relate to the purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for the purchase of spare parts and accessories. Bills payable primarily relates to the Group's use of bank acceptance notes with a credit period of one to three months to finance its purchase of passenger vehicles.

The following is an ageing analysis of the Group's trade payables presented based on the payment due date at the end of the reporting periods:

| | **June 30, 2013** *RMB'000* | December 31, 2012 *RMB'000* |
|---|---|---|
| 0 to 90 days | **1,473,301** | 1,948,959 |

## 12. EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 17, 2013, the Group acquired 100% equity interest in Lishui City Jiacheng Automobiles Sales Company Limited ("Lishui Jiacheng") from independent third parties for a consideration of RMB38.34 million. Lishui Jiacheng operates an Audi 4S dealership located in Lishui, Zhejiang Province. Details of the assets acquired and the liabilities assumed arising from the acquisition of Lishui Jiacheng are not presented herein as the acquisition involves identifying assets and liabilities at their fair values, the process of which is still in progress by the directors.

On August 30, 2013, the board of directors of the Company has approved the amendment to the employee pre-IPO incentive scheme and the adoption of a share option scheme pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, subject to shareholders' approval in the forthcoming extraordinary general meeting.

# FINANCIAL REVIEW

## Revenue

Revenue was RMB11,818.5 million for the six months ended June 30, 2013, a 16.3% increase from RMB10,164.9 million for the six months ended June 30, 2012, primarily due to the growth from sales and after-sales services in relation to luxury and ultra-luxury passenger vehicles. The table below sets forth a breakdown of the revenue of the Group and relevant information for the periods indicated:

| | For the six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | **2013** | | |
| | Amount *(RMB in thousands)* | Sales Volume *(Units)* | Average Selling Price *(RMB in thousands)* | **Amount** ***(RMB in thousands)*** | **Sales Volume** ***(Units)*** | **Average Selling Price** ***(RMB in thousands)*** |
| Passenger vehicle sales | | | | | | |
| Luxury and ultra-luxury brands | 7,110,485 | 15,315 | 464 | **8,290,828** | **18,800** | **441** |
| Mid- to high-end brands | 1,976,347 | 15,458 | 128 | **2,265,069** | **18,447** | **123** |
| Subtotal | 9,086,831 | 30,773 | 295 | **10,555,897** | **37,247** | **283** |
| After-sales services | 972,870 | — | — | **1,135,605** | **—** | **—** |
| Automobile rental services | 105,175 | — | — | **126,955** | **—** | **—** |
| Total | 10,164,876 | — | — | **11,818,457** | **—** | **—** |

Revenue from passenger vehicle sales was RMB10,555.9 million for the six months ended June 30, 2013, a 16.2% increase from RMB9,086.8 million for the six months ended June 30, 2012, primarily due to (i) the overall demand for passenger vehicles continued to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) the dealerships of the Group opened in prior years quickly ramped up and increased the revenue; and (iii) an increase in the number of the dealerships of the Group during the first half of 2013. The growth of revenue from passenger vehicle sales was partly offset by a decrease in average selling price, primarily due to the increased proportion of entry-level models and domestically manufactured models of luxury and ultra-luxury passenger vehicles.

Revenue from after-sales services was RMB1,135.6 million for the six months ended June 30, 2013, a 16.7% increase from RMB972.9 million for the six months ended June 30, 2012, primarily due to (i) the continuously growing customer base of the Group, in particular, the customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demands for the Group's after-sales services; (ii) the Group "one-stop shop" comprehensive automobile-related quality services which achieved a high degree of customer satisfaction and in turn increased customer retention rates and continuous consumption and attracted new customers through referrals; (iii) more referrals brought by insurance companies as a result of the strengthened cooperation; (iv) the efforts of the Group in innovating and launch various comprehensive, diversified and value-added automobile extended products and services; and (v) the continued effort of the Group to enhance service efficiency.

Revenue from automobile rental services was RMB127.0 million for the six months ended June 30, 2013, a 20.7% increase from RMB105.2 million for the six months ended June 30, 2012, primarily due to the efforts of the Group to develop new customers and its expanded fleet size.

**Cost of Sales and Services**

Cost of sales and services was RMB10,840.5 million for the six months ended June 30, 2013, a 17.5% increase from RMB9,223.6 million for the six months ended June 30, 2012, which was generally in line with the growth of the revenue of the Group.

Cost of sales and services for passenger vehicle sales was RMB10,146.6 million for the six months ended June 30, 2013, an increase of 17.8% from RMB8,610.9 million for the six months ended June 30, 2012, which was generally in line with the growth of passenger vehicle sales.

Cost of sales and services for after-sales services was RMB608.9 million for the six months ended June 30, 2013, a 10.9% increase from RMB549.2 million for the six months ended June 30, 2012. The cost of sales and services for after-sales services increased at a slower pace compared to the increase in revenue of after-sales services.

Cost of sales and services for automobile rental services was RMB85.0 million for the six months ended June 30, 2013, a 33.9% increase from RMB63.5 million for the six months ended June 30, 2012, which increased at a faster pace compared to the increase in revenue of the automobile rental services of the Group.

**Gross Profit**

As a result of the foregoing, gross profit was RMB978.0 million for the six months ended June 30, 2013, a 3.9% increase from RMB941.3 million for the six months ended June 30, 2012.

Gross profit from passenger vehicle sales was RMB409.3 million for the six months ended June 30, 2013, a 14.0% decrease from RMB475.9 million for the six months ended June 30, 2012. Gross profit margin for passenger vehicle sales decreased to 3.9% for the six months ended June 30, 2013 from 5.2% for the six months ended June 30, 2012, primarily due to the intensified competition in the passenger vehicle sales market and a decrease in retail price for new passenger vehicle since the beginning of 2012 caused by an imbalance between excess supply and slowdown in sales during the slowing economy in 2012. However, retail price for new passenger sales remained stable since the fourth quarter in 2012. Gross profit margin for the six months ended June 30, 2013 has risen by 1.0 percentage point compared to 2.9% for the second half of 2012 and gross profit for the six months ended June 30, 2013 has increased by 35.8% from RMB301.4 million for the second half of 2012.

Gross profit from after-sales services was RMB526.7 million for the six months ended June 30, 2013, an increase of 24.3% from RMB423.7 million for the six months ended June 30, 2012. Gross profit margin for after-sales services increased to 46.4% for the six months ended June 30, 2013 from 43.5% for the six months ended June 30, 2012, primarily due to (i) the increased proportion of after-sales services provided to luxury and ultra-luxury passenger vehicles, which have a higher gross profit margin; (ii) the continued focus of the Group on providing comprehensive, diversified and value-added automobile extended services and products; (iii) an increase of revenue from referrals by insurance companies relating to accidental car repair; and (iv) the Group's satisfactory cost control and centralized purchases, as well as the introduction of new suppliers who can meet the strict quality control requirements of the Group with lower cost.

Gross profit from automobile rental services remained stable, which was RMB42.0 million for the six months ended June 30, 2013 compared to RMB41.7 million for the six months ended June 30, 2012. Gross profit margin for automobile rental services was 33.1% for the six months ended June 30, 2013, a decrease compared to 39.6% for the six months ended June 30, 2012, primarily due to higher labor cost and temporary adverse impact of the tax reform by the PRC government to change business tax to value-added tax in 2012. The Group has taken relevant measures against these and the gross profit margin for automobile rental service of the Group for the six months ended June 30, 2013 was 33.1%, which remained stable compared to 33.7% for the six months ended June 30, 2012.

**Other Income, Other Gains and Losses**

Other income, other gains and losses were RMB88.2 million for the six months ended June 30, 2013, a 33.4% decrease from RMB132.4 million for the six months ended June 30, 2012, primarily due to a decrease in government grants and a decrease in advertisement support from automobile manufacturers.

**Distribution and Selling Expenses**

Distribution and selling expenses were RMB414.9 million for the six months ended June 30, 2013, a 22.9% increase from RMB337.7 million for the six months ended June 30, 2012, primarily due to the expansion of the network of the Group and sales scale. As a percentage of revenue, the distribution and selling expenses of the Group increased slightly to 3.5% for the six months ended June 30, 2013 from 3.3% for the six months ended June 30, 2012.

### Administrative Expenses

Administrative expenses were RMB208.2 million for the six months ended June 30, 2013, a 33.0% increase compared to RMB156.5 million for the six months ended June 30, 2012, primarily due to the increase in expenses in relation to the opening of new outlets during the second half of 2012 and the first half of 2013. As a percentage of revenue, administrative expenses increased to 1.8% for the six months ended June 30, 2013 from 1.5% for the six months ended June 30, 2012. However, the Group has strengthened its cost control during the first half of 2013. As a result, the administrative expenses, as a percentage of revenue, for the six months ended June 30, 2013 was slightly lower than 1.9% for the second half of 2012.

### Finance Costs

Finance costs were RMB96.8 million for the six months ended June 30, 2013, a 30.2% decrease from RMB138.6 million for the six months ended June 30, 2012, primarily due to decreased effective interest rate of the borrowings of the Group due to the general credit loosening financial environment in China since the second half of 2012.

### Profit before Tax

As a result of the foregoing, profit before tax was RMB350.8 million for the six months ended June 30, 2013, a 19.8% decrease from RMB437.4 million for the six months ended June 30, 2012.

### Income Tax Expenses

Income tax expenses were RMB84.1 million for the six months ended June 30, 2013, a 20.4% decrease compared to RMB105.6 million for the six months ended June 30, 2012. The effective income tax rate of the Group remained the same at 24.0% for the six months ended June 30, 2013 compared to 24.1% for the six months ended June 30, 2012.

### Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income was RMB266.7 million for the six months ended June 30, 2013, a 19.6% decrease from RMB331.8 million for the six months ended June 30, 2012.

### Profit and Total Comprehensive Income Attributable to the Owners of the Company

Profit and total comprehensive income attributable to the owners of the Company was RMB230.3 million for the six months ended June 30, 2013, a 23.3% decrease from RMB300.4 million for the six months ended June 30, 2012.

# LIQUIDITY AND CAPITAL RESOURCES

## Cash Flow

The primary uses of cash of the Group are payment for purchases of passenger vehicles, spare parts and automobile accessories, funding of its working capital and ordinary recurring expenses, funding of the capital expenditures in connection with the establishment of new dealerships, acquisition of additional dealerships and repayment of its indebtedness. The Group maintains its liquidity through a combination of cash flows generated from its operating activities, capital injections, bank loans and other borrowings. In the future, the Group believes that its liquidity requirements are expected to be satisfied by using a combination of cash flows generated from its operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time, including proceeds raised from its initial public offering in July 2012.

For the six months ended June 30, 2013, the net cash used in operating activities of the Group was RMB366.1 million, a 56.3% increase from RMB234.3 million for the six months ended June 30, 2012, primarily due to its repayment of bills payables in the amount of RMB476.5 million in 2013.

For the six months ended June 30, 2013, the net cash used in investing activities of the Group was RMB139.3 million, compared to net cash from investing activities of RMB9.1 million for the six months ended June 30, 2012, primarily due to an increase in its capital expenditures, including expenditures on purchases in property, plant and equipment.

For the six months ended June 30, 2013, the net cash used in financing activities of the Group was RMB383.9 million, compared to net cash from financing activities of RMB123.2 million for the six months ended June 30, 2012, primarily due to its dividend payment of RMB140.6 million for the year ended December 31, 2012 in the first half of 2013 and repayment of borrowings of RMB115.7 million using its cash surplus.

## Net Current Assets

As of June 30, 2013, the Group had net current assets of RMB1,123.2 million, decreased by RMB320.7 million from RMB1,443.9 million as of December 31, 2012, primarily due to an increase in its capital expenditures, including expenditures on purchases of properties, plant and equipment, to RMB455.2 million for the first half of 2013.

## Inventories

The Group's inventories mainly include passenger vehicles procured for passenger vehicle sales and, to a lesser extent, spare parts, accessories and other miscellaneous inventories. The inventories of the Group were RMB2,971.6 million as of June 30, 2013, a 11.0% increase from RMB2,678.2 million as of December 31, 2012, primarily due to the expansion in its sales network and scale.

The following table sets forth the average inventory turnover days of the Group for the periods indicated:

| | For the six months ended June 30, | |
|---|---|---|
| | 2012 | **2013** |
| Average inventory turnover days [(1)] | 48.5 | **47.6** |

(1) The average inventory turnover days for the period is the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 183 days for a six-month period.

The average inventory turnover days of the Group for the first half of 2013 was 47.6 days, a decrease compared to 48.5 days for the same period of 2012.

**Loans and Borrowings**

The Group obtains borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, to fund its working capital and network expansion. As of June 30, 2013, the bank loans and other borrowings of the Group were RMB3,506.5 million, a 3.2% decrease from RMB3,622.2 million as of December 31, 2012, primarily due to the repayment of certain borrowings using its cash surplus during the first half of 2013. The following table sets forth the maturity profile as of June 30, 2013:

| | **As of June 30, 2013** ***(RMB in millions)*** |
|---|---|
| Within one year | 3,440.4 |
| One year to two years | 64.5 |
| Two years to five years | 1.6 |
| Total | 3,506.5 |

The net debt to total equity ratio of the Group was 56.3% as of June 30, 2013. The net debt to total equity ratio is the net debt, which includes the indebtedness net of cash and pledged bank deposits, divided by total equity.

**Capital Expenditures and Investment**

The capital expenditures of the Group comprised primarily expenditures on the purchase of property, plant and equipment, intangible assets and land use rights, the acquisition of a subsidiary and the establishment of an associate company. For the six month ended June 30, 2013, the total capital expenditures of the Group were RMB455.2 million.

**Contingent Liabilities**

As of June 30, 2013, the Group did not have any material contingent liabilities or guarantees.

## Interest Rate Risk and Foreign Exchange Risk

The Group's exposed to interest rate risk resulting from fluctuations in interest rate on its debt. Certain of its borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China. Increases in interest rate could result in an increase in its cost of borrowing. If this occurs, it could adversely affect the finance costs, profit and financial condition of the Group. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. The Group does do not currently use any derivative instruments to manage its interest rate risk.

Substantially all of the revenue, cost of revenue and expenses of the Group are denominated in Renminbi. The Group also uses Renminbi as its reporting currency. The Group does not believe its operations are currently subject to any significant direct foreign exchange risk and has not used any derivative financial instruments to hedge its exposure to such risk.

## Use of Proceeds

The net proceeds from the Company's initial public offering were approximately RMB1,013.2 million. The net proceeds have been utilized in the manner consistent with that disclosed in the prospectus of the Company dated June 29, 2012 under the section headed "Future Plans and Use of Proceeds."

## Subsequent Event

On August 30, 2013, the Board has approved the amendment to the employee pre-IPO incentive scheme and the adoption of a share option scheme pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), subject to shareholders' approval. For details, please refer to the announcement and extraordinary general meeting circular published by the Company on August 30, 2013.

## Future Prospectus and Strategies

China is expected to become the largest luxury and ultra-luxury passenger vehicles market in the world in 2016, according to McKinsey, a global management consulting firm. In 2012, sales volume of luxury and ultra-luxury new passenger vehicles in China reached approximately 1.25 million units, making China the second largest market of luxury and ultra-luxury passenger vehicles in the world, second only to America. According to McKinsey, it is expected that China's luxury and ultra-luxury passenger vehicles market may maintain a CAGR of 12% up to 2020, while the CAGR for the passenger vehicles market is expected to be only approximately 8% during the same period, and the annual sales volume of luxury and ultra-luxury passenger vehicles in China is expected to reach 3.0 million units, generally in line with the Western Europe market, while the annual sales volume of luxury and ultra-luxury passenger vehicles in America market is expected to be approximately 2.3 million units. According to McKinsey, the annual sale volume of passenger vehicles in China is expected to reach 2.25 million units by no later than 2016, taking over the place of America and ranking first in the global luxury and ultra-luxury passenger vehicles markets. Meanwhile, maintenance and repair services, automobile extended products and services, pre-owned vehicles, insurance and financial products, automobiles rental and automobile finance leasing businesses are also expected to increase rapidly, continuously increasing the profitability of the automobile industry.

To proactively capture market opportunities, the Group aims to continue strengthening its market position as a leading luxury and ultra-luxury passenger vehicles dealership group in China and seize the opportunities in one of the world's largest and fast-growing passenger vehicle's markets by pursuing the following strategies in 2013 and the future.

**Network Expansion**

- The Group plans to continue strengthening its leading position in the Eastern China regional market (including Shanghai), and expand its presence in Central and Western China, Northern China, Southern China and Northeast China to accelerate its national network strategy;

- The Group plans to continue solidifying its leading position both in the scale of network and market share of BMW brand and taking advantage of its cooperation with strategic sales partners to mainly focus on promoting the development of main-stream luxury and ultra-luxury brands including Audi, Jaguar, Land Rover, Porsche and Volvo. The Group's focus on these five luxury and ultra-luxury brands will be supplemented by mid- to high-end German and American brands with relatively strong growth potential;

- The Group plans to consider particular market conditions in different regions and tiers when it selectively develops its centralized automobile parks, stand-alone automobile 4S dealerships, automobile city showrooms, pre-owned vehicle centers, maintenance and repair service centers and city and town quick repair stores, so as to enrich the types of its outlets and tailor to the needs of different markets and customers; and

- The Group plans to focus on its network expansion mainly through its organic growth and supplemented by acquisition opportunities in optimal size that it will proactively and selectively identify in order to expand its network to its strategic regions or new regions. The Group plans to focus on the luxury and ultra-luxury brands in any potential acquisitions and mergers.

**New Passenger Vehicles Sales**

The Group plans to further improve gross profit margin in new passenger vehicle sales by implementing an information system that provides dynamic management of sales price and turnovers of inventories. The Group plans to further strengthen its brand department in order to realize the centralized management of its resources and efficient integration. The Group plans to take advantage of its economies of scale and stimulate synergies. The Group also plans to implement customers loyalty programs to encourage their continuous consumption and consumption upgrade; and the Group plans to take advantage of its finance leasing platform to introduce consumption pattern in mature market to meet the needs of different customer groups.

**After-market Services**

- **Maintenance and Repair Services.** The Group plans to implement a differentiated and delicate management to enterprises at different development stages in order to increase service absorption rate of after-sales services. The Group plans to improve its customer management to decrease the customer turnover rate. The Group plans to enhance its cooperation with insurance companies to increase the proportion of income from accidental cars and increase gross profit margin. The Group also plans to continue service innovation in order to create myriad of strengths;

- **Refinishing Center.** The Group plans to acquire the experience from mature market in Northern America to develop independently operated refinishing centers through chain operation, further expand the capacity of after-sales services in its 4S stores, increase the proportion of instant maintenance services and to control customer churn by reducing customer hold time at mature stores;

- **Extended Products and Services.** The Group plans to take advantage of its economies of scale to further control procurement costs of extended products, to improve product upgrades such as vehicle care products, engine oil and sales and marketing, to develop vehicle refitting OEM (Original Equipment Manufacturer) business, automobile coating and detailing services when market demands arise, and to enhance revenue streams from services for license registration, inspection, and trading by integrating its industrial chain; to provide comprehensive extended products and services to effectively secure customer resources so as to increase profitability;

- **Pre-owned Vehicles.** The Group plans to accelerate the development of BMW-authorized pre-owned 4S dealerships and Yongda pre-owned vehicle center to achieve a leading industrial position by scale by strengthening business from manufacturer-certified brands and also promoting business from brands certified by the Group; and enhance value-added pre-owned vehicle business by enhancing cross-selling efforts among pre-owned vehicles, warranty extension, decoration, insurance and financial products;

- **Insurance Business.** The Group plans to enhance its strategic cooperation with major insurance companies to promote the growth of accidental car business and gross profit margin, and to take advantage of its economies of scale by integrating insurance business in the Eastern China and other areas that its outlets are concentrated in;

- **Automobile Rental.** The Group plans to expand its automobile rental outlets at a relatively low cost by taking advantage of its passenger vehicle sales and service outlets; to actively promote service innovation and also launch a new online booking business; and the Group plans to provide featured automobile rental services such as VIP arrivals in order to provide personalized services for high-end customers; and

- **Finance Leasing Services.** The Group plans to enhance its profitability of passenger vehicle sales by exploring a new business model of finance leasing services by taking advantage of the platform of finance leasing services developed by the Group. The Group plans to accumulate its experience in Shanghai first before promoting its nationwide network at full speed. The Group believes the finance leasing business will provide it with business growth in relation to maintenance and repair, automobile extended products and services, and insurance, as well as customer resources for pre-owned vehicles.

**Management Enhancement**

- The Group plans to continue to optimize the use of internal and external resources and leverage on its synergies to enhance operational efficiency;

- The Group plans to enhance its inventory management and price monitoring by the use of powerful EAS (Enterprise Application Software) management system in order to increase fund utilization efficiency and gross profit margin of its sales;

- The Group plans to improve its customer relationship management, strictly control customer churn and increase customer satisfaction of its after-sales services so as to strengthen and develop its after-sales business;

- The Group plans to enhance customer value development through its centralized customer information management system that has strengthened its data analysis and marketing;

- The Group plans to strengthen the control of costs and expenses in order to improve its profitability; and

- The Group plans to take advantage of its information system, continue to promote standardization, streamlining processes and institutionalization of its operation and management so as to improve its operational efficiency.

**Talent Training**

- The Group will enhance university and industry collaborations based on its development needs to recruit graduates from well-known domestic universities with relevant qualification each year and provide them with practical and efficient training to cultivate its talent pool and groom its management team;

- The Group plans to cultivate its talent pool for its long term development by focusing on the training of three types of talents, namely general managers, finance managers and business managers for its business outside Shanghai. The Group plans to provide them with practical and efficient training to enhance their comprehensive capability and professional competence so that they will be able to quickly assume management positions for its business outside Shanghai; and

- The Group is committed to continue to provide competitive remuneration and compensation system for its employees, implement share incentive scheme and provide comprehensive training and different career opportunities for its employees.

The Group is committed to implementing its corporate core value of "Creditable, Innovative, Professional and Efficient (誠信、創新、專業、高效)", strengthening its position as a leading passenger vehicle retailer and comprehensive service provider in China, focusing on luxury and ultra-luxury brands, and the Group aims to create greater value for its shareholders, employees and the society and become the most reputable automobile service brand in China.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

### Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. During the reporting period and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

### Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the reporting period and up to the date of this announcement.

### Audit and Compliance Committee

The audit and compliance committee of the Company (the "**Audit and Compliance Committee**") has three members comprising two independent non-executive directors, being Mr. Wang Zhiqiang (chairman) and Mr. Lu Wei, and one non-executive director, being Mr. Wang Zhigao, with terms of reference in compliance with the Listing Rules.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Company for the six months ended June 30, 2013. The Audit and Compliance Committee considers that the interim financial results for the six months ended June 30, 2013 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

### Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2013.

# INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2013 (for the six months ended June 30, 2012: nil) to the shareholders of the Company.

# PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (***www.hkexnews.hk***) and the Company (***www.ydauto.com.cn***).

The interim report of the Company for the six months ended June 30, 2013 will be dispatched to the shareholders of the Company and published on the above websites in due course.

## APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By Order of the Board
**China Yongda Automobiles Services Holdings Limited**
**Cheung Tak On**
*Chairman*

The PRC, August 30, 2013

*As at the date of this announcement, the executive directors of the Company are Mr. Cheung Tak On and Mr. Cai Yingjie; the non-executive directors of the Company are Mr. Wang Zhigao and Mr. Wang Liqun; and the independent non-executive directors of the Company are Mr. Wang Zhiqiang, Mr. Lu Wei and Mr. Chen Xianglin.*